

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AGRE-00 EB-07 COME-00 TRSE-00 OMB-01

DHA-02 CIAE-00 INR-07 NSAE-00 DODE-00 AS-01 /028 W

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R 170215Z JUN 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1185

UNCLAS MANILA 9279

PASS USDA/FAS/MCCONNELL, SUGAR & TROPICAL PRODS, FCA

E.O. 11652: N/A

TAGS: EAGR, RP

SUBJ: PHILIPPINES AIDS DEPRESSED SUGAR INDUSTRY

REF: -) MANILA 8462, B) MANILA 9270 C) MANILA 9069

1. IN HIS INDEPENDENCE DAY SPEECH JUNE 12, PRESIDENT MARCOS ORDERED A REDUCTION IN THE PRODUCTION TAX PAID BY SUGAR PLANTERS AND AN INCREASE

IN THE RETAIL PRICE OF SUGAR. THE ORDER WAS REPORTED WIDELY IN THE LOCAL PRESS ON JUNE 13-15 BUT THE ARTICLES CONTAINED LITTLE INFORMATION

DESCRIBING THE SPECIFIC DETAILS OF THE ORDER. TRADE CONTACTS READILY ADMITTED THAT THE ANNOUNCEMENT CAUGHT THEM BY SURPRISE AND THAT THEY WERE HAVING DIFFICULTY OBTAINING INFORMATION.

2. ON THE AFTERNOON OF JUNE 15, PRESIDENT MARCOS MET WITH REPRESENTATIVES OF THE SUGAR INDUSTRY AND MADE THE FOLLOWING ANNOUNCEMENT:

A) THE PRICE OF BROWN SUGAR, PACKED, INCREASED FROM 1.60 PESOS TO 1.80 PESOS PER KILO; WASHED SUGAR, PACKED, RAISED FROM 1.80 PESOS TO 2.00 PESOS PER KILO; AND REFINED SUGAR, PACKED, FROM 2.05 PESOS TO 2.30 PESOS PER KILO; INCLUDING THAT USED FOR MILK, PHARMACEUTICALS, AND HOUSEHOLD;

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B) PAYMENT TO SUGAR PRODUCERS FOR DOMESTIC SUGAR INCREASED FROM 60 PESOS TO 90 PESOS PER PICUL. THIS INCREASE IS EFFECTIVE FOR RAW SUGAR PRODUCED AS OF JUNE 13 AND RAISES THE COMPOSITE PRICE TO 90 PESOS/PICUL;

C) THE PHILIPPINE EXCHANGE IS DIRECTED TO ELIMINATE ALL

PROFITS. THE SERVICE FEE OF 1 PESO WILL, HOWEVER, BE RETAINED TO COVER HANDLING AND INTEREST CHARGES;

D) PROFIT MARGINS FOR WHOLESALERS ARE REDUCED FROM 5 PER CENT TO 4 PER CENT, AND FROM 7 PER CENT TO 5 PER CENT FOR RETAILERS;

E) THE CROP LOAN RATE IS INCREASED BY 8 PESOS PER PICUL FROM 55 PESOS TO 63 PESOS PER PICUL;

F) THE CENTRAL BANK IS AUTHORIZED TO PROVIDE DISCOUNTING FACILITIES TO THE PNB TO FUND ADDITIONAL FINANCING REQUIREMENTS FOR SUGAR PLANTERS;

G) ALL SUGAR PLANTERS ARE EXEMPTED FROM THE PAYMENT OF THE 60 PESOS ACROSS-THE-BOARD EMERGENCY COST OF LIVING ALLOWANCE REQUIRED BY PD 1123 WHICH WAS ISSUED ON MAY 1; AND,

H) AGRICULTURE SECRETARY ARTURO TANCO, JR. IS DIRECTED TO WORK OUT A SCHEME WHEREBY THE PLANTERS ARE ENCOURAGED TO INTER CROP OR DIVERSIFY TO AUGMENT THEIR INCOMES.

3. APPARENTLY, THERE WAS NO DECISION TO REDUCE THE 2 PCT. PRODUCTION TAX.

4. COMMENT - IN EARLY MAY, SUGARCANE PLANTERS SEEMED DESPONDENT OVER THE GOVERNMENT'S LACK OF ACTION TO AID THE FINANCIALLY DEPRESSED SUGAR INDUSTRY. THERE ALSO SEEMED TO BE A FEELING OF HOPELESSNESS SINCE ALMOST 6 MONTHS OF LOBBYING HAD NOT ACHIEVED FAVORABLE RESULTS.

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PLANTERS SHOULD BE PLEASED WITH THE PRESIDENT'S ANNOUNCEMENT. THE INCREASE IN THE COMPOSITE PRICE COMES TOO LATE TO HELP PLANTERS THIS YEAR, SINCE THE BULK OF THE 1976-77 SUGARCANE CROP HAS BEEN HARVESTED AND PROCESSED INTO RAW SUGAR. HOWEVER, THE ANNOUNCEMENT DID INCLUDE CHANGES(2 E & F) WHICH WILL PROVIDE IMMEDIATE HELP. IN ADDITION, A MAJOR CONCESSION OF THE GOVERNMENT WAS TO ELIMINATE PHILEX'S 15 PESOS/PICUL PROFIT ON THE SALE OF DOMESTIC SUGAR DESPITE THEIR INSOLVENT POSITION.

THE ANNOUNCEMENT COULD HAVE A SMALL AFFECT ON PRODUCTION SINCE PLANTERS WILL NOW BE ENCOURAGED TO DO A BETTER JOB OF CULTIVATION AND APPLY MORE FERTILIZER. LITTLE, IF ANY, INCREASE IN HECTAREAGE IS EXPECTED, HOWEVER.  
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## Message Attributes

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